

50. (Currently Added) The method of claim 49, wherein step d) is redundantly executed N times

51. (Currently Added) The method of claim 50, where in the Nth repetition, step d) compares said industry total with the product of said limit and N and, if less, step d) is executed the N + 1 repetition.

52. (Currently Added) A method of allocating an investment among a population of securities, each security of t said population having a t least one corresponding data element, said method comprising the steps of:"

a) assigning each security of said population to a corresponding one industry group of a plurality of industry groups;

b) summing said data elements of each security of said one industry group to provide an industry total of the data elements of said one industry group;

c) allocating said industry total to one of the plurality of industry groups, said step of allocating comprises the step of ranking said securities of said one industry group in the order of the magnitude of their respective data elements;

53. (Currently Added) The method of claim 52, wherein step c) includes the step of comparing said highest ranking security with said next highest security.

54. (Currently Added) The method of claim 53, wherein in step c) a magnitude of a limit which the value of the data element of each security of an industry group may not exceed is set, and the value of the highest ranking security is set to the magnitude of the limit.

### **REMARKS**

This Amendment is made in response to the Office Action dated January 2, 2004. A Request for Extension of Time is enclosed to permit the filing of this Application in the third month.

### **Claim Objections:**

Applicant has amended each of claims 8, 31 – 34, 14, 21, 18, 24, 27, 30, 31, 40, 15, 43, 47 and 17 to make the correction requested by the Examiner. If the Examiner requires

further correction, he requested to call the undersigned to suggest those changes whereby any objections may be readily overcome.

**Claim Rejections – 35 U.S.C. § 112 First Paragraph:**

Applicant respectfully traverses and request reconsideration of the rejection of claim 13, 14, 16, 17, 19, 20, 23 – 27, 29, 35, 37, 38, 39, 40 and 47 under 35 USC Section 112, first paragraph. With respect to the rejection of claims 13, 20, 29, 38 and 39 for the use of the term, “magnitude,” Applicant used this term in claim 29 as originally filed, thereby providing adequate support for his use of this term. With respect to the use of “set amounts” in claims 14, 47, 16, 17 and 23-27, Applicant asserts that the Examiner has failed to meet his burden of providing substantial evidence to show that the use of the term “set amount” is not supported by his specification. In particular, the Examiner asserts that the term “set amount” was “specifically defined as a derived value, calculated as a proportion of a fund total.”

Applicant respectfully asserts that he never defined this term in his application in such a limited fashion as that set out in the quotes of the Office Action and requests the Examiner to show where in the original specification that Applicant so described his use of this term. With respect to claim 40, Applicant traverses the Examiner’s assertion that the recitation of “updating a population of securities on a periodic cycle” is not supported by Applicant’s original specification. The passage cited by the Examiner fully support this recitation. Further, the Examiner states that this recitation is known by one skilled in art, therefore establishing that one skilled in the art, as the Examiner noted, would be taught and would know how to “update the population of securities on a periodic cycle.” The Examiner objects to claim 37, asserting that “Applicant does not describe allocating an industry group allocation to a set of securities based on the number of securities in a set or subset of securities.” Claim 37 recites the “allocating said industry allocation of said one industry group among a second number of securities of said one industry group.” Claim 37 recites that allocation is “made among a number of securities” but does not recite that the allocation is “based on the number of securities.”

**Claim Rejections – 35 USC § 112 Second Paragraph:**

Applicant respectfully traverses and requests reconsideration of the rejection of claims 30, 38, 40, 42, 44 and 47 as being indefinite under 35 USC Section 112, Second Paragraph. Applicant respectfully traverses the Examiner's characterizing claims 30, 40 and 42 as including first and second recitations, which are unconnected with the remaining recitations of the claim. The third step of claim 30 is clearly connected to the first recitation; the third step recites an allocation to "one industry group" which is also recited in the first step. In claim 40, the third and fourth steps recite an "industry group," which finds antecedent basis in the first recitation. In claim 42, the third and fourth recitations recite an "industry group" which finds antecedent basis in its first and second recitations. With respect to claim 43, Applicant has amended claim 43 (and 42) to clarify to which of the securities the allocation is made. With respect to claims 44 and 47, the Examiner has failed to explain why this claim is indefinite other than the claim is broad. Similarly with respect to claims 32, 33 and 34, the Examiner basically complains that the claims recite "dependent" which is a broad term. But indefiniteness should not be equated to breadth of a recitation. *In re Lowry*, 32 USPQ 2d 1031 (Fed. Cir. 1994). With respect to claims 35 and 37, the Examiner argues that the term "number" as used in these claims and supported by the specification could be either "a count of how many securities are in an industry group or "refers to a sorting function of a set where security numbers are being compared". Applicant respectfully asserts that his use of the term "number" in the claims only would be interpreted by one skilled in this art to mean the number of securities in the industry group. With respect to claim 38, it is clear, as admitted by the Examiner, that the term "value" means in the context of this claim and in particular step b) the economic or monetary value of each security. With respect to claims 38 and 39, it is respectfully asserted that for a claim to be definite does not require the claim to recite every possible feature or operation of the invention. With respect to claim 39, Applicant has amended claims 38 and 39, whereby the indefiniteness has been removed from these claims. With respect to claim 40, the Examiner asserts that part or step e)" of claim 40 is indefinite and proceeds to quote step e). The undersigned has compared the Examiner's version of step e", as set out in his Office Action of January 2, 2004, with that version of claim 40 as set out in the undersigned's copy of his Supplemental Amendment of December

16, 2004, and find that these versions are quite different. The Examiner is requested to double check the accuracy of his version of part e).

**Claim Rejections – 35 USC § 101:**

Applicant respectfully traverses and requests reconsideration of the rejection of claims 8, 10, 12, 13 – 35, 37 and 42 – 47 as being directed to nonstatutory subject matter under 35 USC Section 101 in view of his amendments to each of the independent claims now presented in this application. In particular, Applicant has amended each independent claim now present in this application to recite that its “method is implemented by a data processing system programmed to carry out” the steps of each claim. In view of such amendments, Applicant asserts his invention is directed toward a “data process system” and is therefore directed toward statutory subject matter as defined by Section 101.

**Claim 30 – 35 USC § 102:**

Applicant respectfully traverses and requests reconsideration of the rejection of claim 30 as being anticipated under 35 USC Section 102 over the SEC Filing. The attention of the Examiner is drawn to the detailed argument, as found at pages 12 to 15 of Applicant’s Amendment dated June 26, 2003, which demonstrates that the SEC Filing was not accessible to those who would be interested in the subject matter of the SEC Filing and, therefore, was not a printed publication as defined by 35 USC Section 102(b). In particular, the party that asserts that a particular document is a printed publication, in this instance the Examiner, must bare the burden of producing sufficient evidence to support that conclusion. *In re Wyer*, 210 USPQ 790 (C.C.P.A.). In particular, the C.C.P.A. stated in *In re Wyer* that a reference is “proven to be a ‘printed publication’ upon a satisfactory showing that such document has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it.” Applicant respectfully asserts that the Examiner has not made a showing that meets the substantial evidence standard that the SEC Filing could have been located by one skilled in the art utilizing only reasonable diligence.

**SEC Filing is Not a Printed Publication:**

Applicant respectfully asserts that the Examiner has failed to raise a presumption that the SEC Filing is a printed publication under 35 USC Section 102(b). The USPTO has taken the position that, “By showing that an electronic publication was properly dated, retrievable and accessible to the public, the Examiner has made a *prima facie* case that the electronic publication qualifies as a prior art. (The burden now shifts to applicant to prove otherwise). See “When is an Electronic Document a Printed Publication for Prior Art Purposes?”, Supervisory Patent Examiner Wynn W. Coggins of the USPTO, :

The Examiner has forward a document referred to as 09-624732-EDGSR-screens.doc. Applicant respectfully traverse’s statement that “applicant’s SEC Filing were published and accessible at least one year prior to the effective filing date of this application.” The undersigned has reviewed these documents but does not find any particular reference to the SEC Filing. Even if the Examiner could prove that the SEC was downloaded and stored in EDGAR, the SEC’s database, the Examiner has still not satisfied his burden of satisfying the USPTO standard that a document has been published. In particular, the USPTO standard requires proof that the SEC Filing was accessible to those who have a skill and interest in the subject matter of the SEC Filing. The Examiner has failed to show how the skilled person would search EDGAR and, in particular, the search argument that could be used to locate the SEC Filings, only “exercising due diligence.” What the forwarded document at best shows.

**Public Use, Sale or Offer to Sell - 35 U.S.C. § 102(b):**

The Examiner has raised the issue of whether there has been a public use, a sale or an offer to sell that may raise a bar under 35 U.S.C Section 102(b), and requests Applicant to provide the Examiner with certain references. Referring to line 7 of the January 2, 2004 Office Action, the Examiner mentions the SEC Filing dated 12/4/98 (herein the “12/4/98 Filing”). Applicant confirms that the 12/4/04 Filings include both of the noted Prospectus and SAI information; thus, it would not be necessary for Applicant to supply these documents. Applicant does not understand the following sentence at lines 7-9 of page 15: “This filing refers to advertisements, sales literature and other information distributed to the

public, which are not included or described in the SEC Filing.” In particular, Applicant can’t identify the document referred to as “this filing”. The Examiner is requested to more fully identify this document.

The SEC sets for each party requesting its permission to sell or offer to sell securities an “effective date”, which is the initial date upon which an approved party may first sell its securities. It is public record that Applicant’s “effective date” was March 17, 1999. Applicant declares that he did not make any offer or sale of his mutual fund before this date. Other wise the Applicant could be barred from marketing its mutual fund, and criminal punishment as well.

Applicant submits herewith a copy (marked Exhibit A) of the March 4, 1999 Filing (herein the 3/4/99 Filing). Applicant respectfully traverses the Examiner’s statement that the 3/4/99 Filing “discloses a number of documents that were available to the public and sales activity prior to 11 March 1999, a year before the effective filling date of this application.” First, the priority date of Applicant’s application is February 11, 2000, appreciating that the subject applications claims priority from a US Provisional Application, which was filed on February 11, 2000. Second, the description of documents at page 47 of the 3/4/99 Filing does not make reference to presently available documents, but rather to document that *may* be available after a party’s effective date. Further, the list of industries and companies in a portfolio at page 14 of the 3/4/99 Filing does not imply that Applicant sold or offered for sale his mutual fund to any of these companies on the list. Rather, the SEC required Applicant to provide a hypothetical portfolio to show that Applicant’s portfolio model produced a profitable mutual fund, which included the companies in the list noted by the Examiner. Further, the Examiner questions the agreements that are listed in 3/4/99 Filing, implying that in some fashion these agreements were agreements for the sale of Applicant’s mutual funds. Rather, Applicant declares that all of these agreements relate to the legal structure of Applicant’s company or to services which Applicant will need to operate his business. A list of these agreements (Exhibit B) is enclosed.

Applicant requests the Examiner to identify the rule or statute that provides a basis for the Examiner to request this information from Applicant. Further, the undersigned requests

the Examiner to call him to identify any further documents that he may need and the undersigned would quickly submit them by supplement Amendment to the Examiner.

**Claims 35 and 37 – 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection of claims 35 and 37 as being obvious under 35 USC Section 103(a) over the SEC Filing.. With regard to claim 35, the Examiner admits that

the SEC Filing does not specifically disclose d) determining the magnitude of the industry total of the one industry and setting the number or securities in accordance with the magnitude of the industry total of the one industry group; e) if industry total” is less than the “first limit allocating the industry allocation of the one industry group to at least one security of the one industry group, and if the industry total of the one industry group is greater than the first limit allocation the industry allocation to at least two securities of the one industry group.

With respect to claim 37, the Examiner admits that the

SEC Filing does not specifically disclose if the industry allocation of the one industry group” is greater than “a first limit, allocating the industry allocation of the one industry group among a first number of securities of the one industry group or if the industry allocation of the one industry group is” greater than “a second limit, allocating the industry allocation of the one industry group among a second number of securities of the one industry group, the second number being greater than the first number.

In the sole record made by the Examiner with respect to the teachings missing from claims 35 and 37, the Examiner takes official notice that it

is well known that particular companies have an overwhelming presence in some industry groups. For example, Microsoft in Computer Software industry. In such cases, it might make sense to invest an entire industry group allocation into the leading security. Where the difference among a first and second more runners-up is very slight, however, it may make more sense to spread an industry allocation among the top ranked set of securities.

It would have been obvious to one of ordinary skill in the art at the time the invention was made to extend the SEC Filing to accommodate various scenarios such as when a particular company has an overwhelming presence in an industry group.

One of ordinary skill in the art at the time the invention was made would have been motivated to extend the SEC Filing to accommodate various scenarios such as when a particular company has an overwhelming presence in an industry group for the obvious reason that market, economic and industry-specific condition fluctuate, perhaps according to cycles. For Example, important risk considerations in allocating a fund may include “bear markets.” or “bull markets” or a decrease in value of a particular population of securities, or that companies may be experiencing financial difficulties.

There are a number of reasons why the above stated record does not satisfy the substantial evidence standard. First, a *prima facie* case requires a showing of substantial evidence that all of the limitations of the claim have been taught by the prior art. In the absence of specific references, the Federal Circuit requires that the Examiner must “must present a fully and reasoned explanation of its decision. The agency tribunal must set forth its findings and the grounds therefor, as supported by the agency record and explain its application of the law to the found facts.” *In re Lee*, 61 USPQ2d 1430, 1433 (Fed. Cir. 2002). At best, the Examiner summarizes or paraphrases Applicant’s claims and does not provide the required explanation of how that missing technology may be applied to obviate Applicant’s claims. Second, the Examiner can not rely on his own expertise for core findings, i.e., the missing recitations that are not taught by particular references. *In re Zurko*, 59 USPQ2d 1693. In this instance, the Examiner relies on his own expertise to teach the recitations for which the Examiner has not provided a reference and has admitted that are not taught by the FEC Filing. Third, the above quoted statement of the Examiner with regard to allocating the investment to a large security such as Microsoft is no more than a conclusionary statement that allocating an investment is desirable in order to distribute the risk of an investment. In particular, the Examiner does not teach any particular motivation for combining that allegedly well known technology with the SEC Filing. *In re Lee*, 61 USPQ2d 1430 (Fed. Cir. 2002). Forth, even if the Applicant was to concede for the sake argument only that the missing technology was prior art with respect to claims 35 and 37,



such allegedly well known technology does not disclose the detailed steps recited in these claims; in particular, the Examiner is silent as to how this well known technology teaches the detailed steps (d) of determining and (e) of allocating of claim 35, or the further details of allocating as recited in claim 37. Thus, for the abundant reasons detailed above, Applicant respectfully asserts that the Examiner has not produced sufficient evidence that satisfies the substantial evidence standard that claims 35 and 37 are obvious. Further, Applicant requests that the Examiner cite a reference(s) that discloses the technology that was admittedly not shown by any cited reference and further provides teaching that such knowledge may be combined with the SEC Filing.

**Claims 38 and 39 – 35 U.S.C. § 103(a):**

Applicant respectfully traverse and request reconsideration of claims 38 and 39 as being obvious over the SEC Filing under 35 USC Section 103(a). With respect to claim 38, step (e), the Examiner admits that the SEC Filing does not disclose

(e) setting the first limit to a given magnitude, whereby the industry allocation to any one security of the one industry group may not exceed the given magnitude.

The difference between functionally descriptive data (material) and non-functional descriptive data (material) is that functionally descriptive material causes a functional change when a related application program uses the functional descriptive data. *In re Lowry*, 32 USPQ2d 1031; and the USPTO's "35 U.S.C. 101 Training Materials" by Vincent Millin et al. Data per se that is merely stored on a memory or outputted by a computer without any functional interrelationship and does not impart functionality to a computer, is non-functional descriptive material. A functional descriptive data structure is a physical or logical relationship among data elements, designed to support specific data manipulation functions. In the Beauregard et al. Patent 5,710,578, a storage medium encoded with a computer program enabling the stored programs to be realized functionally to produce a concrete and tangible result, e.g., a graphic image or presentation; the stored program was deemed by the Commissioner of Patents to be functionally descriptive material. Applying these standards to Applicant's security limit data as stored in the recited data processing system of claim 38, step (e) recites security limit data which is functionally descriptive data. In particular, this security limit data is used by step (c) to allocate the industry allocation to a particular industry group, whereby the industry total is less than the first limit of the given magnitude. It is clear that the limit data, which is indicative of the magnitude, effects how the allocating is carried out to produce industry groups of a limited size or magnitude, whereby the total allocation and thus the investment risk may be evenly distributed, a concrete and tangible

result in the *State Street* sense, i.e., where the output was the value of a share of a mutual fund.

With respect to claim 38, step (d), the Examiner further admitted that

the SEC Filing does not specifically disclose, allocating an industry allocation to at least two securities if the industry total” is greater than “a first limit.

With respect to claim 39,

the SEC Filing does not specifically disclose, as in Claim 39, allocating the industry allocation to at least three securities if the industrial total is less than the second limit.

The Examiner takes official notice that these missing recitations are well proven in the art. In the sole record made by the Examiner with respect to the teachings missing from step (d) of claim 38 and claim 39, the Examiner states that:

it is well known that various industries make up substantive portions of an economy. The Petroleum industry makes up a large portion of our economy than Cable TV, for example. Under circumstances found in the Petroleum industry, it may well be sensible to invest an industry allocation to a greater number of companies that make up the industry group, perhaps Exxon, Mobil and Shell, to create a solid base of investments in the group. Where the industry is Cable TV, it may well be sensible to place the industry allocation into fewer companies, since the overall impact of the industry group and its companies may not play as great a significance in the economy as the companies found in the Petroleum industry.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to expand the SEC Filing to disclose allocating an industry allocation to at least two securities if the industry total >a first limit (as in claim 39 d) and allocating the industry allocation to at least three securities if the industry total > second limit (as in claim 39).

One of ordinary skill in the art at the time the invention was made would have been motivated to expand the SEC Filing to disclose allocating an industry allocation to at least two securities if the industry total > a first limit (as in claim 39 d) and allocating the industry

allocation to at least three securities if the industry total > second limit (as in claim 39) for the obvious reason that some industries play a greater role in our overall economy than others and it is important to manage risk by distributing funds accordingly.

The Examiner takes official notice that the missing recitations are well known in the art, reasoning as noted above that as between the petroleum industry group and the cable industry group, that the petroleum industry is of a greater significance to the economy than the cable industry and, therefore, a greater amount of the petroleum industry should be allocated than the allocation of the cable industry group. Applicant respectfully asserts that the Examiner has not presented sufficient evidence to satisfy the substantial evidence standard with respect to claim 38, step (d) and claim 39, for the reasons set out above with respect to claims 35 and 37. At best, the Examiner indicates that larger securities should have greater allocations, but fails to explain how such selective allocation would be carried out in the context of a computerized method of managing the allocation of investments for a mutual fund.

In particular, the Examiner has: 1) not provided evidence of all of the recitations of claim 38, step (d) and claim 39, 2) can not rely on his own expertise for core findings, i.e., the missing recitations of which the Examiner has taken judicial notice, 3) has merely issued a conclusionary statement without a reasoned basis and 4) that the allegedly well known technology does not disclose the details of the missing recitations of claims 39 and 38(d), i.e., comparing the industry total to a first limit and, if greater than the first limit, allocating the industry allocation to two securities and, if greater than the second limit, allocating the industry allocation to three securities. Further, Applicant requests that the Examiner cite a reference(s) that discloses the missing technology and further provides teaching that such technology may be combined with the SEC Filing.

The Examiner has also characterized the missing recitations of claim 39, i.e., “said magnitude of said second limit being set to magnitude equal to twice said given magnitude, whereby said industry allocation to any security of said one industry group may not exceed said given magnitude,” as being merely nonfunctional descriptive material. As explained above with respect to claim 38, step (e), Applicant respectfully also asserts that the “magnitude of the limit” or the “limit” are functionally descriptive data in that this data is

functionally manipulated by the programmed data processing system in at least the comparing step (c) claim 38, from which claim 39 depends.

**Claims 40 and 8 – 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection under 35 USC Section 103 of claims 40 and 8 as being obvious over the SEC Filing in view of the Value Line Investment Survey. The Examiner admits that the “SEC Filing does not specifically disclose that each security has at least one corresponding updateable data element.” The Examiner refuses to give patentable weight to the recitation of the “updateable data element” because, according to the Examiner, these recitations, e.g., the step (b) of summing, “are not functionally involved in the steps recited.” The very words of step b) contradict the Examiner; step b) recites “summing said data element of each security of said population ---.” Thus, it is clear that there is a functional relationship of the summing step and the “data elements” and that such a recitation must be given patentable weight.

With respect to claim 40, step (d), the Examiner further admits that the

SEC Filing does not specifically disclose that the repeated step (d) of assigning on a periodic cycle the industry of the securities of each said plurality of industry groups at selected times. The SEC Filing does not specifically disclose step 40(f) updating on a periodic cycle the [data elements] of at least some of the securities of said population...

The Examiner asserts that this missing teaching is supplied by Value Line. The complete record made by the Examiner with respect to combining the SEC Filing and the Value Line reads:

It would have been obvious to one of ordinary skill in the art at the time the invention was made to combine the SEC Filing with admitted prior art to disclose steps (d) and (f), as above.

One of ordinary skill in the art at the time the invention was made would have been motivated to combine the SEC Filing with admitted prior art to disclose steps (d) and (f), as above, for the obvious reason that market and economic conditions may fluctuate according to cycles. For example, important risk considerations may include “bear markets,” or “bull markets” or a decrease in value of a particular

population of securities, or that companies may be experiencing financial difficulties.

The Examiner asserts that it would be well known to combine the SEC Filing and Value by reasoning that “that market and economic condition may fluctuate according to cycles.” The recitation of the updating process is carried out not only in step (f) but also in step (d). As recited in Claim 40, updating of the data elements requires repeating the assigning of step (a) of the securities to a particular industry, accessing from the source of the data elements and updating at selected times the values of the data element and updating on a period cycle the data elements of some of the securities. The Examiner has ignored these other recitations of claim 40. Therefore, the Examiner has not met the substantial evidence standard for a showing that these references may be combined. The teaching of motivation for combining the SEC Filing and Value Line may not be based only on the Examiner’s above statement as to the nature of the prior art. The Federal Circuit stated that the factual question of motivation for combining these two references is material to patentability, and that it could not be resolved on subjective belief and unknown authority. *In re Lee*, 61 USPQ2d 1430. Thus, Applicant asserts that the Examiner has failed to make a *prima facie* showing that these references are combinable. Further, Applicant requests that the Examiner cite a reference(s) that teaches the motivation for the combining these references.

With respect to claim 40, step (d), the Examiner admits that

the SEC Filing does not specifically disclose that the repeated step of assigning -- to accurately account for those securities which has changed their industry said plurality of securities are subdivided into a plurality of editions, each edition of said plurality [of editions?] is reassigned on a cycle that is staggered from the cycles of the other editions of said plurality [of editions ?].

The Examiner refuses to give this recitation any patentable weight, because, according to the Examiner, the steps of assigning, summing, accessing and updating are nonfunctional descriptive material. Applicant asserts that each of these steps is clearly functional and operates on the data element in a functional manner as explained above with respect to claim 39.

With respect to claim 8, which depends from claim 40, the Examiner admits that “the SEC Filing does not specifically disclose that update cycles may be of the same length.” The Examiner also asserts that patentable weight may not be accorded claim 8. Applicant respectfully disagrees for the reasons set out above with respect to claim 40.

**Claims 44-46 and 13-15 – 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection of claims 44 - 46, and 13 - 15 as being obvious over the SEC Filing in view of Helping Employee under 35 USC Section 103. The undersigned notes that the Examiner at page 27 of the January 2, 2004 Office Action misstates the step of claim 44 for “summing a data element of each security of said population to provide an *industry total* ---.” Rather, the summing step (a) recites “an universe total”. The Examiner admits that the “SEC Filing does not specifically refer to summing a data element of security to provide a universal total.” The Examiner further admits with respect to claims 44(b) and 46 that, “the SEC filing does not specifically refer to selecting a data element from a plurality of different kinds of data elements.” The Examiner states:

Helping Employees discloses selecting from various investment strategies, based on asset mix to take advantage of professional investment strategies. An investment style is a short name for a strategy, ideology or theory that provides reasons for selection of securities.

Both Applicant and Helping Employees relate to methods of composing an investment portfolio and, in particular, choosing a mix or selection of investment assets that will comprise the investment portfolio. Helping Employees use assets, which may include fixed income assets and securities (or equities), whereas Applicant’s assets include securities, each with a particular data element. As defined in Applicant’s application, data elements represent an indication of the value of a security, illustratively comprising: common shareholders equity, market capitalization, net income, net revenue, net earnings or total assets. In contrast, the assets disclosed by Helping Employees represent different styles of investment such as fixed income, e.g., bonds, large company domestic equities, intermediate and small company domestic equities and international equities. Applicant sets the securities

included in his portfolio to include the same type data element, whereas the portfolio of Helping Employees comprises a mix of different equities, e.g., a fixed income asset, a large company asset, a small company asset and an international asset. Thus in view of the failure of Helping Employees to disclose the use of data elements to effect the change of style of securities, Applicant respectfully asserts that the above noted claims patentably distinguish Helping Employees and should be allowed.

**Claims 42 and 43 – 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection of claims 42 and 43 as being obvious under 35 USC Section 103(a) over the SEC Filing. With respect to claim 42, the Examiner admits that:

the SEC Filing does not specifically disclose that if the data elements do not differ from each other by a predetermined amount, the industry allocation is allocated equally to the one and the other securities of the one industry group. As per claim 43, the SEC Filing does not specifically disclose that if the data elements differ from each other by more than a predetermined amount, the industry allocation is allocated only to the highest ranked of the securities.

The total record of the Examiner to show the missing steps consists of the following Examiner's statement:

It is well known that particular companies have an overwhelming presence in some industry groups. For example, Microsoft in Computer Software industry. In such cases, it might make sense to invest an entire industry group allocation into the leading security. Where the difference among a first and second more runners-up is very slight, however, it may make more sense to spread an industry allocation among the top ranked securities, perhaps evenly.

It would have been obvious to one of ordinary skill in the art at the time the invention was made to extend the SEC Filing to accommodate various scenarios such as when a particular company has an overwhelming presence in an industry group.

One of ordinary skill in the art at the time the invention was made would have been motivated to extend the SEC Filing to

accommodate various scenarios such as when a particular company has an overwhelming presence in an industry group for the obvious reason that market, economic and industry-specific conditions fluctuate, perhaps according to cycles. For example, important risk considerations in allocating a fund may include “bear markets,” or “bull markets” or a decrease in value of a particular population of securities, or that companies may be experiencing financial difficulties.

In summary, the Examiner reasons that where one security of an industry group is “overwhelming”, then it would make sense to allocate the entire industry group to the “overwhelming” one, whereas when the difference between the securities is slight, then the securities should be spread more evenly. Further, the Examiner’s rational for allocation does not teach the detailed recitations of these claims, i.e., determining whether one security is greater than another security to determine the allocation. Further, the Applicant’s rational is merely a paraphrase of Applicant’s claims 42 and 43 and does not provide specific teaching of why the method of the SEC Filing should be modified with the specific allocation steps of claims 42 and 43. *Id In re Lee*. Applicant’s discussion with respect to claims 35 and 37 are fully applicable to claims 42 and 43 to demonstrate that the Examiner has not created a sufficient record to establish that these missing recitations are well known in the art and make a *prima facie* case that these claims are obvious. Further, Applicant requests that the Examiner cite a references(s) that discloses the technology that was admittedly not shown by any cited reference and that such technology is applicable to the method described in the SEC Filing.

**Claim 47- 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection of claim 47 as being obvious under 35 USC Section 103(a) over the SEC Filing. The Examiner admits that

the SEC Filing does not specifically disclose step (e) of comparing said first part to a set amount and, if less than or equal to said set amount, said first part is set equal to said set amount.

The Examiner characterizes these recitation as being nonfunctional materials and , therefore, refuses to accord any patentable weight to be accorded to these recitations. The



Examiner's argument in support of his nonfunctional material rejection refers to the recitation of "update cycles are of the same length," which is not found in claim 47. In claim 47, the first and second parts of an industry allocation are processed by the dividing step, the allocation step and comparing step in a functional manner to define concrete and tangible results, namely the selection of securities to be included within a mutual fund.

**Claims 10, 11, 16-27, 28, 29 and 30-34 – 35 U.S.C. § 103(a):**

Applicant respectfully traverses and requests reconsideration of the rejection under 35 USC Section 103 of claims 10, 11, 16-27, 28 and 31 – 34 over the SEC Filing in view of US Patent No. 5,132,899 of Fox.

With respect to this rejection, the Examiner states:

The SEC Filing discloses the features of claims 30 and 47 including ranking securities, limiting a first part so as to not exceed a certain amount, selecting at least one security according to its ranking in an industry group, allocating an industry allocation to securities that are overwhelmingly represented in an industry group, determining the amount of the industry allocation for a selected one industry group as dependent on (a) the amount of the investment, (b) the amount of the industry total, (c) the amount of the universe total, as described above.

Noting that the above description refers to claims 30 and 47 and the above statement of this rejection does not, please clarify whether claims 30 and 47 are also being rejected over the SEC Filing and the Fox Patent? Further, Applicant respectfully asserts that the SEC Filing neither includes "ranking securities" nor "selecting at least one security according to its ranking in an industry group---." At best the SEC Filing discloses, "The Strategy Model then selects for investment one or more companies which have the greatest common stockholders' equity within each industry." This statement only broadly describes "the highest common stockholders' equity," but does not teach the more detailed ranking of securities in each industry group. Applicant respectfully requests that the Examiner clarify which claims are being rejected, and the extent of the teachings of the noted references.

In formulating his rejections based on the SEC Filing and the Fox Patents, the Examiner has not mapped either of these references to Applicant's claims. Applicant

respectfully asserts that to satisfy the substantial evidence standard for applying a reference to a claim that the Examiner is required to map these two references.

The Examiner admits that the

SEC Filing does not specifically disclose setting an amount a proportion of the universe total, or proportion of 2.25%, or as multiples of amount and allocating industry group allocations accordingly, determining the amount of the industry allocation for a selected one industry group as the product of the investment and the industry total for the one industry group divided by the universe total, or allocation an industry allocation among (a) a selected one or more of the securities of the one industry group (b) all of the securities of the one industry group, (c) all of the securities of the one group proportionally to the magnitudes of each of the data elements of the securities of the industry group according to ranges.

The Examiner seeks to supply the missing teachings detailed above by the Fox Patent, which, according to the Examiner,

teaches allocating to securities next-in-line in an industry group according to statistical differences among the values of stock data elements, See, for example, Col. 5, line 54 to Col. 7, line 55.

The undersigned has reviewed Col. 5, line 54 to Col. 7, line 5 of the Fox Patent, without finding any of the steps or features that the Examiner admitted were not disclosed by the SEC Filing or corresponded to the allocation of an investment among the industrial groups and the securities of a particular industry group. Contrary to the Examiner's above characterization of the teachings of the Fox Patent, this patent does not sequentially review a population of securities and then assign each security to a corresponding industry group. Rather, Fox teaches the comparison of a given group of securities which the securities making up the S&P 500. For example, Fox calculates the average beta of the given securities group and compares it to the average beta of the S&P 500. Further, Fox calculates the percentage of the component securities comprising the given group of securities and compares these percentages with the component security percentages of the S&P 500. Still further, Fox calculates the average capitalization of the securities of the given group and compares the given group's average capitalization with that of the S&P 500. Fox determines

when these differences exceed a limit and, when exceeded, readjusts composition of the securities within the given group.

Thus, it is clear that Fox's functionality is very different from Applicant's allocation as explained above. If the Examiner persists in the use of the Fox Patent as a reference, he is respectfully requested to identify those particular lines upon which he relies to reject these claims. The Examiner then concludes that:

It would have obvious to one of ordinary skill in the art at the time the invention was filed to combine the SEC Filing and Fox to disclose various feature such as: setting an amount a proportion of the universe total, or a proportion of 2.25%, or as multiples of amounts and allocation industry group allocations accordingly determining the amount of the industry allocation for a selected one industry group as the product of the investment and industry total for one industry group divided by the universe total, or allocating industry allocation among (a) a selected one or more of the securities of the industry group (b) all of the securities of the one industry groups, (c) all of the securities of the one group proportionally to the magnitudes of each of the data element of the securities of the one industry group according to ranges.

The undersigned respectfully asserts that these steps, deemed by the Examiner not to be taught by the SEC Filing, are also not taught by the Fox Patent. Further, the Examiner has failed to construct a record that fails to provide a motivation within either of the SEC Filing or the Fox Patent of a teaching to combine these references. *See In re Lee*. To construct a record that satisfies the substantial evidence standard, the Examiner must also map each of these references against the recitations of each of the above listed claims. Otherwise, allowance of these claims is respectfully requested.

Apparently concerned that neither the SEC Filing nor the Fox Patent obviate the above claims, the Examiner seeks to bolster his rejection by asserting that Applicant's allocation of an investment to an industry group and further to the securities of a particular group would be well known based on the premise that it is "important to manage risk by distributing funds accordingly." Even if Applicant would concede for the sake of argument only that it is well known to manage risk by distributing one's investment, such a knowledge does not enable one skilled in this art to carry out Applicant's allocation of one's investment into each of a plurality of industry groups and to allocate a group total among the securities

of that industry group. The fact that the Examiner's reference, i.e., the Fox Patent, is not relevant supports Applicant's position that this allocation method is patentable and should be allowed.

**Notes Concerning Official Notice and Traverse:**

Applicant respectfully traverses and requests reconsideration of the Examiner's statement that "applicant has not specifically pointed out the supposed errors in the Examiner's actions, which would include stating why the noticed fact is not considered to be common knowledge or well-known in the art" and that "(t)he Examiner respectfully submits that a number of applicant's statements are not substantive arguments against the Examiner's rejection." Applicant respectfully asserts that there is no authority for the above statements to the extent that Applicant is obliged to discuss the technical aspects of the Examiner's characterization of what is asserted to be well known in the art. Rather the MPEP 2144.03 states that "A seasonable challenge constitutes a demand for evidence made as soon as practicable during prosecution" and "If the applicant traverses such an assertion (that certain knowledge is well known) the examiner should cite a reference in support of his or her position." Further, the Examiner at pages 39 and 40 of the January 2, 2004 Office Action quotes three (3) of the Applicant's challenges to the Examiner's holding that certain technology was well known in the art; each such challenge states, "Applicant respectfully traverses the Examiner's taking of official notice and requests the Examiner to cite a reference that fully shows the recitations of" (certain claims). Thus Applicant respectfully asserts that his challenge is fully sufficient and that further response is not required.

Applicant further traverses the Examiner's statement that Applicant's challenge is inadequate because "applicant's statements are not substantive arguments" thus requiring further technical argument as to why certain technology is well known. The undersigned has studied the *Boon* and *Checenard* CCPA decisions as well as the MPEP 2144.03, but has found therein no authority for the burdensome challenge required by the Examiner. The Examiner implies that the Applicant can only respond to his taking official notice of certain technology, by constructing a substantive argument and to discuss the technical issues that are presented by the Examiner's Notice. Applicant respectfully disagrees and asserts that

there are numerous other reasons that Applicant can argue to challenge the Examiner's Official Notice. For example, an Examiner should not take judicial notice of the technology at the "core" of Applicant's invention. Similarly, the Examiner can not take official notice of certain technology without a full explanation of how that technology may be applied to applicant's claims. Applicant submits as the next section of his Amendment a detailed discussion of this issue entitled "The Examiner Must Construct a Record Showing Unpatentability that Satisfies the "Substantial Evidence" Standard". Further, the Examiner cites MPEP 707.07, which does not relate to taking official notice and appears to be a mistaken citation.

If the Examiner persists in holding that Applicant's challenges were insufficient, the Examiner is requested to provide at least the following information. In his Office Action of January 2, 2004, the Examiner lists at pages 39 and 40 a number of challenges (4) that Applicant has made to the Examiner's previous statements that certain technology is well known in the art. At pages 40 and 41 of the January 2, 2004 Office Action, the Examiner further lists his statements as to why certain technology is well known. However, the Examiner has failed to relate his statement as to why certain technology is well known to the corresponding challenge of Applicant, and to explain specifically why each of Applicant's challenge of a particular statement of the Examiner is inadequate. Applicant needs such further information in order to make a complete response and asserts that a complete rejection requires such further explanation.

**The Examiner Must Construct a Record Showing Unpatentability that Satisfies the "Substantial Evidence" Standard**

The Supreme Court has held that decisions of the U.S. Patent and Trademark Office (USPTO) must meet a new burden of proof. *Dickenson v. Zurko*, 527 U.S. 150, 50 USPQ2d 1930 (1999). The Federal Circuit now reviews findings of fact under the "substantial evidence" standard of the Administrative Procedure Act ("APA") to support a conclusion that a claim at issue is unpatentable. *In re Gartside*, 203 F.3d 1305, 1315, 53 USPQ2d 1769, 1775 (Fed. Cir. 2000). To satisfy the "substantial evidence" standard and, therefore, establish a *prima facie* case of anticipation under 35 U.S.C. 102 or obviousness under 35

U.S.C. 103(a), the USPTO has the initial burden of establishing unpatentability. *In re Mullin*, 481 F.2d 1333, 1336, 179 USPQ 97, 100 (CCPA 1973). The USPTO (whether an Examiner or the Board of Patent Appeals and Interferences ("Board")) must make the necessary findings of fact to construct an administrative record containing evidence to support these findings, accompanied by reasons to support a conclusion of unpatentability. *In re Kotzab*, 217 F.3d 1365, 55 USPQ2d 1313 (Fed. Cir. 2000); *In re Zurko*, 258 F.3d 1379, 59 USPQ2d 1693 (Fed. Cir. 2001) ("*Zurko IV*"). After the *Zurko IV* decision, whether a rejection on prior art is sustained by the Federal Circuit depends on whether the USPTO has made an adequate record.

A *prima facie* case requires substantial evidence of all the limitations of the claim being examined. In *In re Kotzab*, the Federal Circuit stated that the mere identification in an applied reference of a particular component that corresponds to a claimed recitation does not satisfy the "substantial evidence" standard. Rather the USPTO is required to make particular findings as to the reasons that a person of ordinary skill in the art, with no knowledge of the claimed invention, would have selected from the applied reference the noted components for combination in the manner claimed. To support a conclusion that a claimed invention lacks novelty under 35 U.S.C. §102, a single reference must teach all of the elements of a claim. *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1379, 231 USPQ 81, 90 (Fed. Cir. 1986).

A prior art reference need not expressly disclose a particular element of a claim, if that element is "inherent" in its disclosure. To satisfy the substantial evidence standard, however, the record must make clear that the missing descriptive matter is necessarily disclosed by the cited reference, and that one skilled in the art would have recognized the inherent disclosure. *In re Robertson*, 169 F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999). Whether or not a disclosed element is described in an applied reference may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient. To support an anticipation rejection based on inherency, the USPTO must provide the factual and technical grounds establishing that the inherent feature necessarily flows from the teachings of the prior art. *Ex parte Levy*, 17 USPQ2d 1461, 1464 (Bd. Pat. App. & Int. 1990).

In *Zurko IV*, the Federal Circuit cautioned against taking official notice of certain subject matter or holding that such matter is inherent in the prior art without providing specific documentary evidence to support these facts. Although the court acknowledged that the USPTO might rely upon its expertise as to peripheral issues, the USPTO could not reach conclusions of patentability based upon its own understanding or expertise with respect to the core factual findings in a determination of patentability. Rather the Board or the Examiner must point to some concrete evidence in the record to satisfy the substantial evidence standard of the APA.

In a memorandum dated February 21, 2002 from Stephen G. Kunin (Deputy Commissioner for Patent Examination Policy), the Patent Examining Corps was advised that:

Official notice without documentary evidence to support an examiner's conclusion is permissible only in some circumstances. While "official notice" may be relied on, as noted in MPEP §2144.03, these circumstances should be rare when an application is under final rejection or action under 37 CFR 1.113. Official notice unsupported by documentary evidence should only be taken by the examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known. *In re Ahlert*, 424 F.2d 1088, 1091, 165 USPQ 418, 420 (CCPA 1970). In appropriate circumstances, it might not be unreasonable to take official notice of the fact that it is desirable to make something faster, cheaper, better, or stronger without the specific support of documentary evidence. Furthermore, it might not be unreasonable for the examiner in a first Office action to take official notice of facts by asserting that certain limitations in a dependent claim are old and well known expedients in the art without the support of documentary evidence provided the facts so noticed are of notorious character and serve only to "fill in the gaps" which might exist in the evidentiary showing made by the examiner to support a particular ground of rejection. *Zurko*, 258 F.3d at 1385, 59 USPQ2d at 1697.

It would not be appropriate for the examiner to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-known. For example, assertions of technical facts in the areas of esoteric technology or specific knowledge of the prior art must always be supported by citation to some reference work recognized as standard in the pertinent art. *In re Ahlert*, 424 F.2d at 1091, 165 USPQ at 420-21.

It is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based. *Zurko*, 258 F.3d at 1385, 59 USPQ2d at 1697. As the court held in *Zurko*, an assessment of basic knowledge and common sense that is not based on

any evidence in the record lacks substantial evidence support. *Zurko*, 258 F.3d at 1385, 59 USPQ2d at 1697 (emphasis in original).

The basic rules for analyzing an obviousness rejection under 35 USC §103 were established in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966). A *Graham* analysis requires an inquiry into: (1) the scope and content of the prior art, (2) the differences between the prior art and the claimed subject matter, and (3) the level of ordinary skill in the art at the time the invention was made. To establish a *prima facie* case of obviousness under *Graham*, the USPTO must construct a record that addresses each of the above three inquiries. Further, the prior art relied upon must disclose some suggestion or motivation to one skilled in the art to modify the applied reference or to combine a plurality of references. *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ2d 1596, 1598 (Fed. Cir. 1988).

In *In re Lee*, 61 USPQ2d 1430 (Fed. Cir. 2002), the Federal Circuit commented on combining two references to support a prior art rejection, and rejected the Board's rationale that it was neither necessary to present a source of a teaching, suggestion, or motivation to combine the references and that the conclusion of obviousness may be made from common knowledge and common sense of a person of ordinary skill in the art without any specific hint or suggestion in a particular reference.

The Federal Circuit concluded that the Board has an obligation to make the necessary findings and provide a record showing the evidence on which the findings are based accompanied by the Board's reasoning in reaching its conclusions. The court further noted that in rejecting the claims in Lee's application, neither the examiner nor the Board adequately supported the selection and combination of the cited references. As the factual question of motivation is material to patentability, it could not be resolved on subjective belief and unknown authority. The Board's attempt, according to the court, to substitute common knowledge and common sense for a finding of motivation was viewed as nothing more than the issuance of a conclusionary statement that did not fulfill the USPTO's obligation to set forth reasoned findings. In vacating the Board's decision and remanding the application to the USPTO to make the appropriate findings, the court stated that: "the Board's findings must extend to all material facts and must be documented on the record, less the 'haze of so-called expertise' acquire insulation from accountability."



The motivation, suggestion or teaching may come explicitly from statements in the prior art, the knowledge of one of ordinary skill in the art, or, in some cases the nature of a problem to be solved. *In re Dembiczak*, 175 F.3d 994, 999, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999). The motivation also may be implicit from the prior art as a whole, rather than expressly stated in the references. However, whether the USPTO relies on an express or an implicit showing of motivation, it must provide particular findings related to its conclusion, and the showing must be clear and particular. *Id.* Broad conclusionary statements standing alone are not "evidence." *Id.*

**Conclusion:**

In view of the above discussion, Applicant respectfully asserts that each of objections and rejections of claims 10, 11, 13-35, 37-40 and 42-54 as posed in the Office Action of January 2, 2004 have been overcome and that these claims are in condition for allowance, which action is respectfully requested. If the Examiner is unable to allow the noted claims, he is requested to call the undersigned to suggest those amendments whereby these claims may be placed in condition for allowance.

Respectfully submitted,

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